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OFFICE OF LOGISTICS
PROCUREMENT NOTE NO. 45

3 SEP 1970

"SPIN-OFFS"

1. There have been several instances in Agency history where "spin-offs" have been encountered in the process of adding new sources to Agency contractor rolls. ("Spin-offs" occur when several key employees of a contractor's organization leave to form an entity of their own.) In excellent economic periods, "spin-offs" may be numerous as the opportunity for growth is better. However, it is also possible that in more stringent economic times, "spin-offs" may result from reductions in key personnel by employers, thus forcing the distressed personnel to form competitive new organizations.

2. There is inherent danger to early customers of the new group because of the possibility that proprietary information of the former employer might have gone with the group "spinning-off." There is also the natural inclination of the former employer to resent the entrance of the new group into the competitive search for work similar to that performed by the same former employer.

3. Although no specific restrictions are required, as each case contains differing sets of circumstances, caution should be used in entering into relationships with "spin-offs." Thus, to assure the appropriate review, each contracting officer entering into a first contract relationship with a "spin-off" firm should review the situation with the Associate General Counsel, OL, and document the contract file with the results of the conference.

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Director of Logistics

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